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American Banker

The Only Daily Banking Newspaper

VOL. CXLVIII NO. 51 | Tuesday, March 15, 1983 | 148th Year

Random Thoughts

By SANFORD ROSE

First Chicago is experiencing a measurable increase in the demand for fixed-rate business credit in the three-to-five-year range. In the last month or two, the bank has done about two to three times as much of this type of lending as it did in the fourth quarter of 1982.

Says senior vice president David Vitale: "A lot of borrowers had informal rate targets of about 12%. When they could get longer-term money at about that cost, they decided to fund their shorter debt."

How does First Chicago finance these longer extensions? Apparently on a matched-maturity basis with IRAs, longer-term consumer CDs, and Eurodollar deposits.

Mr. Vitale also indicates that First Chicago is actively looking at the possibility of issuing zero coupon CDs. As readers of this column are no doubt aware, this writer has long advocated the use of zero coupon deposits. One reason: Since the zero coupon vehicle has the same duration as maturity, it can be used to finance assets of longer nominal maturity without exposing the bank to enhanced interest-rate risk.

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Comptroller Expected to Ease Proposed Loan Limit Formula

By JAY ROSENSTEIN

WASHINGTON — The Office of the Comptroller of the Currency is expected to ease a proposed formula for calculating lending limits of national banks.

The industry and members of Congress have criticized the formula as being too strict.

The proposal, issued in December, is intended to implement a section of the Depository Institutions Act of 1982 increasing the national bank loan limit to an individual borrower from 10% to 15% of capital and surplus.

Much of the debate concerns the agency's proposed plan for determining the 15% limit, primarily because of provisions that would require the aggregation of certain loans now calculated separately.

Many bankers have stated that the aggregation formula as proposed would deny them the full five-percentage-point increase intended under the law and, in some cases, be more restrictive than current limits.

Under the proposal, for example, a national bank would be required to group loans to customers who do 50% or more of their annual business with each other. Also, loans to a subsidiary of a company would be grouped with loans to all other subsidiaries, even when the parent company is not borrowing.

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Pratt to Resign at Bank Board

By LISA J. Mc CUE

WASHINGTON — Richard T. Pratt, who has been chairman of the Federal Home Loan Bank Board during one of the savings and loan industry's toughest times ever, announced his resignation Monday.

He said he is leaving because he misses his family in Salt Lake City, feels he has accomplished what he set out to do, and because his government salary was not particularly attractive. The Bank Board chairman receives $68,400 a year.

When Mr. Pratt leaves — and he said he intends to exit by April 30 — it is generally believed that Edwin J. Gray will take his place.

Mr. Gray, a former Reagan administration adviser, has been nominated by the President to the third position on the Bank Board, which has been vacant since last summer. If approved by the Senate for that job, it is likely that he will subsequently be named chairman.

Mr. Gray's nomination is running

➳ Pratt: Page 8

Heller Stops Security Pacific Deal

Will Sell Finance Units to Fuji Bank of Japan

By JOHN MORRIS

CHICAGO — Walter E. Heller International Corp. surprised the banking world yet again by terminating a deal to sell its two finance units to Security Pacific Corp. of Los Angeles, and selling them instead to Fuji Bank Ltd.

Security Pacific had agreed to pay $400 million for Heller's domestic and international commercial finance operations. Fuji offered $425 million — $25 million more.

A spokesman at Security Pacific would only say, "We have been notified by Heller of this unilateral termination of the agreement in principle."

A Heller spokesman explained, "Fuji's offer was better. It was that simple."

Heller will still retain ownership of the $2.3 billion-deposit American National Bank and Trust Co. of Chicago.

Just two weeks ago Heller announced the sale of two of its three subsidiaries — the Walter E. Heller and Co. and the Walter E. Heller Overseas Corp. — to Security Pacific, leaving American National Bank as its only business. Analysts had expected it to sell the bank to support its two troubled finance subsidiaries.

Franklin A. Cole, chairman of Heller

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Trust bankers were told that they should make the top 20% of "wealth holders" their clientele, not the top 2%, as has been traditional: TRUST BANKING....2

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A battle could be brewing over an Illinois bank. A Wisconsin mortgage banking company made a proposal to buy it, but the bank has already agreed to sell to someone else — for less....3

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Trust Operations Review

Trust departments earn less from cash balances these days. Because of sweep programs, balances are smaller. And because interest-rate levels are down, the departments get an earnings credit at a lower rate on balances that remain. The people who run the TrustCompare program explain the hows and whys to David O. Tyson. See page....10.

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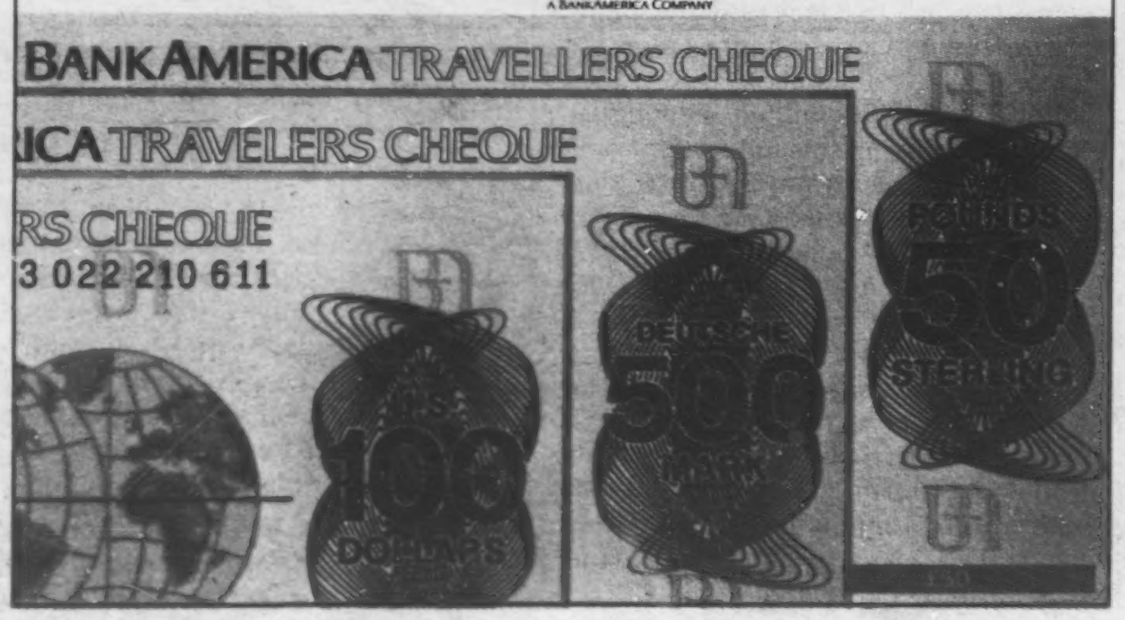

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Deregulation . . .

Continued from page 2

but also attempt to head off a major legislative debate by keeping consumer protection laws intact. After the committee vote, Ejner J. Johnson, Gov. Hughes' chief of staff, said the House would not accept such deregulation and a compromise would have to be worked out.

The version of the bill passed by the committee would:

•Allow banks issuing credit cards to charge an annual fee of any amount, from which interest would not have to be subtracted.

•Permit nearly any other fee on credit card accounts, such as a minimum monthly charge or a charge for each transaction. Interest could be levied from the day an item is charged, not from the due date of the bill.

•Permit banks to change the interest rate charged on credit card accounts and, after due notice, begin charging a higher rate on the account's entire outstanding balance.

•Permit customers to set up a line of credit at a bank, secured by anything from a home mortgage to a personal loan, on which they could draw by writing checks or using a bank card or other method.

•Allow loans in which the monthly interest rate could vary according to nearly any formula agreeable between the bank or finance company and the customer.

About the only state regulation that would be retained under the bill is the 24% ceiling on credit interest rates. Lender say this ceiling is so high that it is no restriction at all.

According to George L. Rayburn, assistant credit commissioner, the bill would result in higher fees to customers, but it would also make credit more available.

Sen. Jerome F. Connell, D-Anne Arundel County, one of the sponsors of the bill, argued that competition among banks and other lenders would keep charges down. "I think consumers would get a much better market to operate in with this bill," he said.

Sen. Connell said Maryland should have stopped regulating banks and other lenders long ago. If it had done so, he said, the state's largest banks would not have moved their credit operations to Delaware.

According to Carl E. Eastwick, chief legislative officer for Gov. Hughes, the administration is neutral on deregulation. This is an indication that the real debate will take place in the House. ■

New York State Mutuals Post Inflow in February

NEW YORK — New York State savings banks had a net inflow of $476 million in deposits and retail repurchase agreements in February.

The Savings Banks Association of New York State said this marked the third consecutive month of net inflows for the industry and the largest reported since March 1975's record $481 million inflow. The numbers are for 93 state-chartered savings banks.

The association attributed the inflows to new funds deposited in the money market rate accounts first offered last December. The money market deposit account accounted for a larger percentage of the inflow than the Super NOW account, Ira Scott, the trade group's president, said.

The state's savings banks reported a $13 billion inflow to the money market deposit account as of Feb. 28, up from $9.8 billion a month earlier. ■

Largest U.S. Commercial Banks by States

In order of December 31, 1982, Compared with December 31, 1981

Compilation of the December 31, 1982 deposit-size rankings of the largest commercial banks with deposits of $10 million or more in the states of Missouri, Montana, Nebraska, Nevada and New Hampshire are published below with comparable data for December 31, 1981.

These tables, to be continued in subsequent editions for each of the 50 states, the District of Columbia, and Puerto Rico, as data are received and compiled, supplement the American Banker's annual midyear deposit roll call of the 300 largest U.S. banks published on March 4.

MISSOURI

12/31/82		Deposits Dec. 31, 1982*	Deposits Dec. 31, 1981*	Rank 12/31/81	Gain
1	Mercantile Trust Co. NA, St. Louis	2,452,331,000	2,243,394,000	2	+ 1
2	Centerre Bank NA, St. Louis	2,105,546,000	2,347,075,000	1	
3	United Missouri Bank of Kansas City NA	922,991,000	846,018,000	3	
4	Commerce Bank of Kansas City NA	819,200,000	783,363,000	4	
5	First National Bank, Kansas City	799,973,000	770,203,000	5	
6	Boatmen's National Bank, St. Louis	779,609,000	729,250,000	6	
7	County Bank of St. Louis, Clayton	440,812,657	410,458,807	7	
8	Centerre Bank of Kansas City NA	258,468,782	215,459,000	12	+ 4
9	Commerce Bank, Springfield	257,313,666	246,373,400	8	
10	County Bank of Tower Grove, St. Louis	225,024,000	225,208,000	9	

MONTANA

1	First Bank NA-Billings	231,987,065	225,471,454	1	
2	Security Bank NA, Billings	230,586,257	219,971,929	2	
3	First National Bank, Great Falls	158,766,000	150,418,000	4	+ 1
4	First Northwestern National Bank, Billings	156,493,047	161,830,000	3	
5	Northwestern National Bank, Great Falls	120,891,914	108,511,000	5	
6	First Bank Butte	111,574,000	102,604,000	6	
7	First Bank NA-Western Montana, Missoula	109,562,168	100,814,856	7	
8	First National Bank, Bozeman	100,665,000	92,865,000	9	+ 1
9	First Interstate Bank of Kalispell NA	98,928,000	85,284,000	10	+ 1
10	First National Bank, Anaconda	95,984,000	84,890,000	11	+ 1

NEBRASKA

1	Omaha National Bank	714,421,000	703,192,382	1	
2	First National Bank & Trust Co., Lincoln	534,193,786	498,347,808	2	
3	United States National Bank, Omaha	452,990,000	410,141,000	3	
4	First National Bank, Omaha	421,570,233	406,230,000	4	
5	National Bk of Comm. T&S Assn., Lincoln	274,607,388	255,223,000	5	
6	Northwestern National Bank, Omaha	145,953,000	138,463,000	6	
7	First National Bank, Hastings	142,788,000	132,862,000	7	
8	First National Bank & Trust Co., Columbus	127,867,505	116,634,019	8	
9	First National Bank, Grand Island	111,195,000	110,657,000	9	
10	DeLay First National B & T Co., Norfolk	106,561,871	102,266,000	10	

NEVADA

1	First Interstate Bank of Nevada NA, Reno	2,056,969,000	1,685,785,000	1	
2	Valley Bank of Nevada, Las Vegas	773,104,408	763,491,183	2	
3	Nevada National Bank, Reno	496,724,000	437,781,000	3	
4	Security Bank of Nevada, Reno	265,022,000	256,437,001	4	
5	Nevada State Bank, Las Vegas	151,513,000	152,453,000	5	
6	Pioneer Citizens Bank, Reno	98,739,000	91,084,000	6	
7	American Bank of Commerce, Las Vegas	31,121,000	20,300,000	7	
8	First National Bank, Ely	11,268,000	12,959,000	8	

NEW HAMPSHIRE

1	Indian Head National Bank, Nashua	244,265,330	236,696,000	1	
2	Bank of New Hampshire NA, Manchester	241,631,880	222,705,664	2	
3	BankEast, Manchester	197,919,000	170,299,000	3	
4	Nashua Trust Co.	156,640,098	146,420,191	4	
5	Indian Head B & T Co., Portsmouth	135,676,625	125,582,353	5	
6	Merchants National Bank, Manchester	131,629,024	107,128,444	7	+ 1
7	BankEast Savings Bank & Trust, Rochester	122,929,000	110,022,608	6	
8	Amoskeag NB&T Co., Manchester	101,992,822	92,963,322	9	+ 1
9	Concord National Bank	98,438,000	95,040,000	8	
10	First National Bank, Portsmouth	94,026,538	82,948,092	10	

*—Data for 12/31/82 may not be comparable with 12/31/81 because of mergers, etc.

Georgia . . .

Continued from page 2

the shares tax.

Georgia has had trouble doing that, however, not least because revenues from taxes on financial institutions had traditionally gone to local governments, which had jealously guarded their prerogative with powerful legislative lobbies.

In addition, equality of taxation among institutions is now at issue, as the law passed in Georgia leaves open some questions in that respect.

As in other states, representatives of nonbank financial institutions point out that banks can now increase their federal securities and thereby reduce their tax liabilities.

The bill allows, but does not require, each of three levels of government to levy a 0.25% tax on gross receipts. Thus, municipal, county and state governments can each impose up to 0.25% in taxes. It is expected that the maximum will be charged at each level, meaning a 0.75% total tax.

Earlier, the legislature considered maximums of 0.30% and 0.35%. Hearings on those levels brought what one observer called "bitter" opposition from the larger banks.

To the end, the tax question — heightened by a current case brought by a Georgia bank against the old method of taxation — split opinion.

"There's no way you can please everybody," said Thomas C. Watson, executive vice president of the Independent Bankers Association of Georgia.

"We couldn't take a position on it because our membership couldn't even agree."

Another bill that was universally opposed by lenders was defeated. The bill, passed by the state House of Representatives, would have required lenders to protect their collateral when they held liens on grain and livestock, by informing potential buyers that they, the lenders, had a security interest.

Thus a lender, whose loan would still have been in force, could have seen the collateral sold away if the buyer had not been notified.

Also during the session, a bill that was called the Georgia Bankers Association's "number one" priority was passed and signed into law. The bill removed interest-rate ceilings on consumer loans of more than $3,000. ■

Union Officials Named Directors

Special to the American Banker

WASHINGTON — The National Bank of Washington has named to its board Richard L. Trumka, the new president of the United Mine Workers of America; Douglas Fraser, president of the United Auto Workers; and four others nominated by the United Mine Workers.

The United Mine Workers owns 76% of the once-troubled bank, but under agreements with federal regulators signed in 1980, its representatives can account for only one-third of the bank.

The agreements with the Office of the Comptroller of the Currency and the Federal Reserve Board were reached after the Washington Post reported in October 1980 questionable loans to directors close to the United Mine Workers.

Luther H. Hodges Jr., chairman of the bank, is seeking approval from the board to sell $20 million in common stock to shore up the bank's capital base. If successful, the additional stock would dilute the United Mine Workers' holdings to 56%. Total shareholder equity as of Dec. 31, 1982, was $59.26 million.

The bank also is organizing a holding company. ■

Family Sues . . .

Continued from page 2

out on parole for a bank robbery conviction.

Also named as a defendant by the suit was the United Mine Workers of America, the principal stockholder in National Bank of Washington. A spokesman for the bank said it was a policy of the institution not to comment on matters in litigation.

The suit further charged that a teller was killed in another branch of the bank under similar circumstances on Oct. 31, 1973. Afterward, it said, bank employees petitioned the management to install bullet-resistant barriers for tellers. ■

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American Banker

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VOL. CXLVIII NO. 52 | Wednesday, March 16, 1983 | 148th Year

United American an 'Insider' Bank: Isaac

By PHILLIP L. ZWEIG

WASHINGTON — Describing the failed United American Bank of Knoxville as an institution that "for years operated on the fringe of soundness," Federal Deposit Insurance Corp. Chairman William M. Isaac told a congressional panel Tuesday that UAB's borrowers, rather than the bank, actually "called the shots." This was largely because of the close personal and business relationships they had with "the man or men who made the decisions at UAB," Mr. Isaac said.

Jake F. Butcher, twice a Tennessee gubernatorial candidate and the driving force behind the 1982 Knoxville World's Fair, was chairman of the bank until shortly before it was declared insolvent Feb. 14 by Tennessee Banking Commissioner W.C. Adams.

In testimony before the House subcommittee on commerce, consumer, and monetary affairs, Mr. Isaac vigorously defended his agency's role in supervising the bank and in negotiating its merger with First Tennessee National Corp. once it was closed. Rep. Doug Barnard, D-Ga., was elected chairman of the committee earlier this year following the death of Benjamin Rosenthal of New York.

Specifically, the bank regulator dismissed charges made by some observers that the FDIC was "out to get" Mr. Butcher because he was a "high-profile politician" and that the agency did not act soon enough to correct the monumental lending and management deficiencies at the bank. And he denied that the FDIC showed "favoritism" to First

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Withholding Showdown Looms Today

Dole, Kasten Play Move, Countermove

By ANDREW ALBERT

WASHINGTON — Republican Sens. Robert Dole and Robert W. Kasten appear headed for a showdown today over the banking industry's struggle to block tax withholding on interest and dividend income.

Mr. Kasten of Wisconsin, backed by banking lobbies and millions of letter-writing constituents, is trying to kill the withholding laws by pinning a repealer amendment to an emergency jobs bill now under consideration.

Mr. Dole of Kansas has managed to stall action on the antiwithholding measure since last week. President Reagan has pledged to veto the job-creation bill if a withholding-repeal rider is attached.

Today, Mr. Dole is expected to use a complex parliamentary maneuver to halt debate on the jobs bill, which would likely prevent a vote on Mr. Kasten's repeal attempt.

But in what amounts to a parliamentary chess game on the Senate floor, Mr. Kasten believes he can counter the move by limiting Mr. Dole's filibuster, which has stalled repeal efforts since last week. Mr. Kasten said that about 70 of the 100 senators support his position.

If nothing else, the Senate should give a clear indication today of whether they believe the matter deserves a simple up or down vote.

Mr. Dole, chairman of the Senate Finance Committee, is bitterly opposed

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Technology Seen As Key Strategy Issue

Concern Over Control, Profits Expressed at Retail Meeting

By ROBERT TRIGAUX

MONTE CARLO — Not long ago, chief executive officers talked about global strategies and high finance but left technology to the data-processing departments.

Today, technology — its opportunities and problems — has become fundamental to the strategic planning of bank senior executives.

This was particularly evident at this week's opening session here of the European Financial Marketing Association's annual conference on retail banking. At this session, chief executives from some of the world's largest and most powerful retail banking institutions were optimistic about the potential new bank products that technology may make possible.

However, their optimism was tempered by concerns over maintaining management control, verifying profitability, and the role of human interaction in banking transactions.

Leland S. Prussia, chairman of Bank of America NT&SA of San Francisco, told the meeting that technology will assist BofA in both helping to segment retail markets and in lowering the cost of delivering services.

"In the upscale markets, technology adds quality to service offerings," Mr. Prussia said. He cited its contribution

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Treasury Urges Stricter Controls On Export of Cash

By LISA J. Mc CUE

WASHINGTON — The Treasury Department urged Congress to tighten legislation intended to prevent millions of dollars from filtering out of the country to be "laundered" or to evade taxes.

John M. Walker Jr., assistant secretary of Treasury's enforcement and operations, said that despite the government's successes in cracking down on the illegal transport of cash, "much more needs to be done."

The money that is illegally taken out of the country generally consists of legitimate earnings that are then hidden to avoid taxes. Or it consists of gains that are achieved through illegal activities, such as drug trafficking.

In addition to Congress tightening the legislation, Mr. Walker said that

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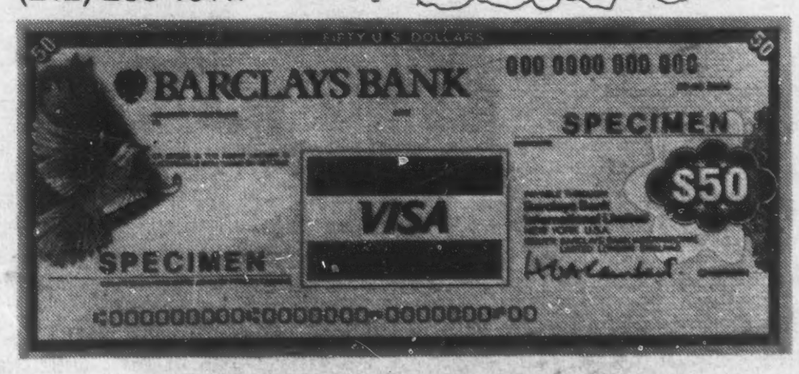

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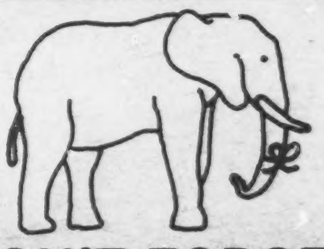

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